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Administrative and budgetary aspects of the financing
of the United Nations peacekeeping operations

Proposed budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2017 to 30 June 2018

Report of the Independent Audit Advisory Committee

Summary

The present report contains the comments, advice and recommendations of the Independent Audit Advisory Committee on the proposed budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2017 to 30 June 2018.

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I. Introduction

1. The Independent Audit Advisory Committee presents herein its comments, advice and recommendations to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the budget of the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2017 to 30 June 2018. The report is submitted in accordance with paragraphs 2 (c) and (d) of the Committee's terms of reference (General Assembly resolution 61/275, annex).

2. The Committee has a responsibility to examine the workplan of OIOS, taking into account the workplans of the other oversight bodies, and to advise the General Assembly thereon, to review the budget proposal of the Office, taking into account its workplan, and to make recommendations to the Assembly through the Advisory Committee. The Committee undertook its review of the OIOS work-planning process and the proposed budget for OIOS under the support account for peacekeeping operations for the period from 1 July 2017 to 30 June 2018 during its thirty-sixth and thirty-seventh sessions, held from 28 to 30 November 2016 and from 15 to 17 February 2017, respectively.

3. In preparing the current report, the Committee was cognizant of the report of the High-level Independent Panel on Peace Operations (see A/70/95-S/2015/446). That report informed the Committee's observations and recommendations, especially with respect to the resources needed for the evaluation and investigation functions of OIOS.

4. The Committee appreciates the efforts of the Office of Programme Planning, Budget and Accounts and OIOS in providing the Committee with the relevant documents for consideration. OIOS also provided supplementary information in response to various questions from the Committee.

II. Background

5. The proposed financial resources for OIOS for 2017/18, as compared with 2016/17, are provided in table 1.

Table 1
Financial resources

(Thousands of United States dollars)

	Approved 2016/17	Proposed 2017/18	Variance	
			(Amount)	(Percentage)
Internal Audit Division	18 943.1	16 930.5	-2 012.6	-10.6
Inspection and Evaluation Division	1 131.5	1 752.7	621.2	54.9
Investigations Division	10 238.3	9 983.6	-254.7	-2.5
Executive Office	776.0	789.4	13.4	1.7
Total	31 088.9	29 456.2	-1 632.7	-5.3

Note: Budget figures provided by the Office of Programme Planning, Budget and Accounts, Peacekeeping Financing Division.

6. The proposed OIOS budget under the support account for peacekeeping operations for the period from 1 July 2017 to 30 June 2018 is estimated at \$29,456,200 (gross), which represents a reduction of \$1,632,700 (gross), or 5.3 per cent, below the prior year's approved budget of \$31,088,900 (gross). Upon enquiry, the Committee was informed that the reduction was mainly in post resources and general temporary assistance costs. The lower cost for post and general temporary assistance resources was attributed to: (a) the abolishment of posts from missions that are either closing or downsizing; (b) the lower salary scale in field offices as a result of the new International Civil Service Commission compensation package; and (c) the higher vacancy rates applied across the support account.

7. The Committee recognizes that the consideration of the OIOS budget proposals with regard to the specific grade level of OIOS posts and requests for non-post resources is more appropriately within the remit of the Advisory Committee on Administrative and Budgetary Questions. The review, comments and advice of the Independent Audit Advisory Committee will therefore focus on the scope of its own terms of reference with respect to the work-planning and budgeting process of OIOS. In accordance with its terms of reference, the Independent Audit Advisory Committee will submit the present report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. Arrangements will be made for interaction with the Advisory Committee to discuss the contents of the report.

III. Comments of the Independent Audit Advisory Committee

A. Internal Audit Division

8. In reports issued since its inception, the Committee has made a number of recommendations relating to the work of OIOS in general and the work-planning and budgeting process of the Internal Audit Division in particular. The Committee notes that OIOS has made an effort to implement most of those recommendations. The Committee also notes that the Division continues to employ residual risk as the basis for its workplan. Although its share of the overall budget of OIOS has decreased, from 61 per cent, as reported last year, the Division remains the largest of the three divisions of OIOS and represents 58 per cent of the OIOS budget under the support account.

Risk-based workplan

9. In paragraph 26 of its report A/64/652, the Committee recommended that the Division adopt more robust audit workplans, based on residual risk. The Committee was informed that in developing the 2017/18 workplan, the Division used the risk-based approach that has been used since 2013, validated the previous year's audit universe and updated the audit risk assessments for all the departments, programmes, missions, functions structures, processes and initiatives. OIOS indicated that the risk-ranked audit universe of auditable activities was developed taking into account the impact and likelihood of risks and the controls that exist to manage risk; previous oversight activities; and the results of ongoing

interactions/consultations with various divisions, management, the Board of Auditors and the Joint Inspection Unit.

10. In paragraph 11 of its report A/70/759, the Committee recommended that future workplans of the Division explicitly show how its workplan was guided by the Organization's critical enterprise risk strategy. Thus, with regard to the current resource request, the Committee was informed that the Division had enhanced the risk-based work-planning process and provided for a clearer link between the Division's risk registers and the Secretariat-wide enterprise risk register. The Committee was informed that there was also an increased focus on and increased attention paid to effectiveness and efficiency issues; fraud and mismanagement; and opportunities for working jointly with other OIOS divisions.

11. In this regard, OIOS indicated, as shown in table 2, that the Division plans to undertake 86 audit assignments related to peacekeeping operations for the fiscal period 2017/18. This represents an 11 per cent decrease from the previous period, with the biggest decrease (21 assignments) in logistics. According to OIOS, programme and project management continues to account for the largest number of audits.

Table 2

Trends in the number and distribution of Internal Audit Division assignments

Focus area	Fiscal year							Variance between 2016 and 2017
	2011	2012	2013	2014	2015	2016	2017	Number of assignments
Logistics	13	16	19	28	16	29	8	-21
Programme and project management	12	17	13	16	19	26	22	-4
Property and facilities management	7	5	15	9	20	17	10	-7
Safety and security	14	4	7	6	3	5	9	4
Human resources management	10	4	8	17	18	9	11	2
Financial management	5	6	10	12	4	4	8	4
Governance and strategy	8	10	1	0	0	0	10	10
Information technology	3	3	3	10	4	3	3	0
Procurement	1	6	9	2	10	4	5	1
Total	73	71	85	100	94	97	86	-11

12. In section II, paragraph 3, of its resolution 71/7, the General Assembly endorsed the recommendation of the Committee that OIOS should show explicitly how Internal Audit Division workplans are guided by the Organization's critical enterprise risk strategy. Upon follow-up, the Committee was informed that 40 of the 86 assignments addressed one or more of the six critical risks of the Organization. According to OIOS, human resources management and accountability, together with strategic planning and budgets allocation, make up 65 per cent of the assignments. OIOS has indicated that it will continue to consult with management, the Board of Auditors and the Joint Inspection Unit during the period, monitor the risks identified

within the missions and, if required, revise the workplan on the basis of emerging risks and priorities.

Thematic and stand-alone audits

13. In paragraph 8 of its report A/65/329, the Committee noted that OIOS could add value to its oversight work by conducting more audits of cross-cutting and systemic issues, that is to say, thematic audits. The Committee therefore recommended that in preparing its workplan, OIOS place greater emphasis on audits of cross-cutting issues in order to identify prevalent systemic issues that needed to be addressed by management as a priority.

14. For 2017/18, OIOS indicated that 20 of the 86 assignments will be thematic engagements. It identified three high-risk thematic areas on which it planned to concentrate, namely, financial management, programme and project management, and governance and strategy.

15. **The Committee commends OIOS for the effort made to show how Internal Audit Division workplans are guided by the Organization's critical enterprise risk strategy, and for continuing to undertake thematic audits. The Committee will continue to monitor these initiatives in future sessions.**

Capacity gap analysis

16. In paragraph 17 of its report A/66/737, the Committee recommended that as OIOS continued to move towards a robust risk-based approach to its workplan, it should conduct analyses of its capacity gaps. OIOS informed the Committee that it was not requesting additional resources for the Internal Audit Division and indicated that any capacity gap for the Division would be minimal and addressed in three ways: (a) through a greater involvement of the chief resident auditors in the audit process than was initially budgeted for complex audits or areas of work; (b) through empowering administrative assistants to undertake work of increasing complexity; and (c) through examining where efficiencies in the audit process could be achieved, for example, in the reporting phase, and reallocating those resources to cover any capacity gap.

17. **Having considered the workplan of the Internal Audit Division and taking into account the previous recommendations and clarifications of OIOS, the Committee endorses the resource requirement as proposed.**

B. Inspection and Evaluation Division

Workplan implementation

18. In paragraph 24 of its report A/67/772, the Committee recommended that in order for the Inspection and Evaluation Division to ensure its relevance to decision makers, it should, inter alia, finalize its reports in a timely manner. During the deliberations, the Committee was informed that of the three items slated for evaluation during fiscal year 2014/15, two had not been completed until fiscal year 2016/17. Furthermore, of the four assignments that began in fiscal year 2015/16, only one was completed on time. The remaining three are slated for completion in February 2017. OIOS continues to attribute the delays to lack of staffing. **The**

Committee continues to be concerned by the ripple effect that continues to be exerted on subsequent workplans through the failure to complete assignments on time.

Risk-based workplan and budget proposal

19. With respect to risk assessment, the Committee was informed that the 2017/18 workplan was based on four major determinants, namely, a review of key documents, including the report of the High-level Independent Panel on Peace Operations; the results of the previous (2015) risk assessment; consideration of the six critical risks identified in the 2014 Secretariat-wide enterprise risk management framework; and OIOS 2017 high-risk areas.

20. The Inspection and Evaluation Division also informed the Committee that in assessing risk, the Division had examined likelihood, impact and the evaluability factor in order to draw up a list of potential evaluation assignments. This process led to identification of 52 topics which could be taken up in the next three years starting from fiscal year 2017/18. Of these, 23 were considered high-risk; 18, medium-risk; and 11, low-risk.

21. In paragraph 19 of its report A/70/759, the Committee expressed its concern that there was no demonstrated link between the six critical risks of the Organization, and the OIOS risk assessment. During this period, the Committee, in its follow-up with OIOS, was informed that the 52 topics had been prioritized further based on the Secretariat-wide six critical risks and the evaluation cycle, whereby high-risk topics were grouped within the three-year evaluation cycle, medium-risk topics in the five-year cycle and low-risk topics in the eight-year cycle. **The Committee commends the effort of the Inspection and Evaluation Division to demonstrate how its workplans have been guided by the Organization's critical enterprise risk strategy.**

Capacity gap analysis and the budget proposal

22. The Committee was informed that based on the assessment, the Inspection and Evaluation Division would have to conduct 8 high-risk evaluations, 4 medium-risk evaluations and 1 low-risk evaluation this year, bringing the total to 13, plus one triennial review. The Inspection and Evaluation Division informed the Committee that the current staffing level of one Chief and 3 evaluation officers would leave a capacity gap of 11 evaluation officers. The Committee was also informed that only 3 of the 11 additional posts could be covered through redeployment, in light of current budgetary restrictions. OIOS informed the Committee that, with three additional posts, the Division would be able to deliver five reports.

23. According to OIOS, the five assignments planned for 2017/18 would encompass:

- (a) The United Nations Mission in South Sudan (high-risk);
- (b) An evaluation of the development of peacekeeping policy and doctrine (high-risk);
- (c) An evaluation of United Nations support to Member States for the training of peacekeeping troops (high-risk);

(d) An evaluation of management, administrative and operational support to peacekeeping missions (high-Risk);

(e) The triennial review of the implementation of recommendations arising from the evaluation of protection from sexual exploitation and abuse (medium-risk).

24. As the Committee has noted in its previous reports, there is a significant disparity between the regular budget and peacekeeping evaluation staffing levels. Given the value added by the evaluation and inspection function to the oversight regime of the Organization, the Committee believes that OIOS, in augmenting its evaluation capacity, is taking steps in the right direction. Notwithstanding the budgetary constraints facing the Organization, the Committee endorses the resource requirement as proposed.

C. Investigations Division

25. In reviewing the budget of the Investigations Division under the support account, the Committee was cognizant of the challenges that have plagued the Division, especially with regard to its operations, internal working relationships and effectiveness.

26. In paragraph 8 of its report A/70/86, the Committee called upon OIOS to devise a strategy for addressing its persisting vacancy issues and to augment efforts to reduce the average number of months required to complete an investigation.

27. During the review process, the Committee was informed that the Investigations Division was addressing these perennial problems and that for the next 12 months, the Division's priority would be recruitment (in order to address the high vacancy rate of 25 per cent), building capacity to investigate cases of sexual exploitation and abuse, training and an increased focus on the investigation of fraud and corruption.

Workplan implementation

28. In reviewing the implementation of the Investigations Division workplan, the Committee focused on its previous recommendations. Specifically, the Committee was concerned that the high vacancy rates in the peacekeeping section of the Division would negatively impact the ability of OIOS to fulfil its mandate. The Committee also expressed concern over the delays in the completion of investigation assignments.

29. With respect to vacancies, the Committee was informed that OIOS continues to face challenges in respect of attracting and maintaining a highly skilled, talented and professional workforce. In that regard, the Committee was informed that during the previous 12 months, the Investigations Division had maintained an average vacancy rate of 23 per cent, with the rate having fallen below 2 per cent in January 2016 before rising steadily thereafter. Recalling its previous sessions, at which the Committee was informed that the efforts of the Investigations Division to attract high-calibre applicants had been improving (particularly with respect to achieving greater gender and geographical diversity), the Division indicated that it would continue to explore strategies through which to appeal to experienced professional investigators.

30. OIOS indicated that the increasing focus on fraud and corruption meant that the Investigations Division would have to change its recruitment perspective from one based on past law enforcement competencies to one focused on competencies in, e.g., forensic accountancy, digital forensics and financial investigation.

31. The Committee welcomes these efforts and looks forward to real and concrete achievements in reducing vacancy rates as well as in improving the gender and geographical disparities that exist within the Division, especially in the field.

32. With regard to the delays in the disposition of cases of investigation, the Investigations Division informed the Committee of the continued improvements in reducing the number of carryover assignments. The Committee was informed that the headline achievement of the Division was the decrease in the average time required to complete an investigation, from a high of 23 months in 2011 to 11.8 months in 2016. According to OIOS, the fall in average completion time has also been matched by a decrease in the average age of cases, from a high of 17 months in 2012 to 8.1 months in 2016. OIOS therefore believes that it is on the right track towards achieving the targeted six months for completion of its investigations. **The Committee welcomes these developments and encourages OIOS to maintain its effort so that it may achieve the six-month target by the end of this year.**

Workplan and resource requirement

33. The Committee was informed that the request of the Investigations Division was in line with its current strategy in terms of staffing, training and building investigations capacity. With respect to resourcing, the Committee was informed that currently, the support account makes up 6 per cent of the resources of the Division, while the regular budget resources make up only 33 per cent, hence the increased attention to the support account budget. OIOS noted that a review of the resourcing needs for each location brought to light inconsistencies, which has amplified the need to revisit the Division's overall resourcing strategy.

34. OIOS also noted that the results of this review had led the Investigations Division to propose the creation of an enhanced capacity in New York, as reflected in the request for eight new posts in New York (through establishment, redeployment and reassignment). This would enable the Division to better manage the anticipated drawdown of the United Nations Stabilization Mission in Haiti (MINUSTAH), support the anticipated increase in intake-related matters and provide more investigators with the ability to handle fraud and corruption.

35. The Committee continued to question the rationale behind the request made by OIOS for additional resources for the Investigations Division in light of the consistently high vacancy rates. In response, the Committee was informed that several factors had influenced the decision of OIOS to put forth this proposal including the ease of attracting and retaining staff in New York, the number of support account-funded posts in New York; the need to support the drawdown of MINUSTAH; the heavy workload experienced in New York; the need to respond to cases of sexual exploitation and abuse; and refocusing in respect of fraud and corruption.

36. In light of the above, the Committee sought clarification from the Controller, who provided a context within which the budget of OIOS was reviewed. The Controller informed the Committee that in finalizing the budget of OIOS, she had taken into account the following factors: scalability (inasmuch as some missions were either closing or drawing down); vacancy rates; and the continued focus on field operations in line with the report of the High-level Independent Panel on Peace Operations.

37. On that note, the Controller recommended against the augmentation of the Investigations Division's New York Office; rather, more emphasis was put on field operations resulting in redeployments of four general temporary assistance positions within the Investigations Division and the reassignment of one general temporary assistance position from the Internal Audit Division.

38. **The Committee commends OIOS for devising a strategy designed to address the challenges of the Investigations Division. The Committee is aware that more still needs to be done, especially with respect to the vacancy rates. Moreover, with respect to augmenting the New York Office, the Committee believes that OIOS has not yet provided sufficient justification, particularly given the fact that MINUSTAH is downsizing. The Committee therefore agrees with the Controller's recommendation to redeploy five posts to the field missions, including the one reassignment from the Internal Audit Division to the Investigations Division.**

IV. Conclusion

39. The members of the Independent Audit Advisory Committee respectfully submit the present report, containing its comments and recommendations, for consideration by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

(Signed) Maria Gracia M. **Pulido Tan**
Chair

Independent Audit Advisory Committee

(Signed) J. Christopher **Mihm**
Vice-Chair

Independent Audit Advisory Committee

(Signed) Patricia X. **Arriagada Villouta**
Member

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(Signed) Richard Quartey **Quartey**
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